



DEPARTMENT OF THE NAVY
NAVAL AUDIT SERVICE
1006 BEATTY PLACE SE
WASHINGTON NAVY YARD DC 20374-5005

7547/2002-0 121
30 Jul 02

MEMORANDUM FOR AUDITOR GENERAL OF THE AIR FORCE

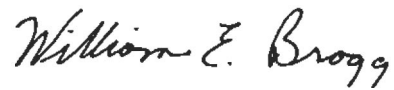
Subj: **PEER REVIEW OF THE AIR FORCE AUDIT AGENCY (N2002-0064)**

Encl: (1) Peer Review Scope and Methodology

1. We have reviewed the system of quality control for the audit function of the Air Force Audit Agency (AFAA) in effect for audit reports issued during the 6-month period ending 31 March 2002. We conducted our review in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE). As a result of our review, we are issuing **an** unqualified opinion on your system of audit quality control.
2. We tested compliance with AFAA's system of quality control to the extent we considered appropriate. These tests included a review of 8 audit reports (see Enclosure 1) selected from the universe of 367 audit reports issued during the 6-month period. We also reviewed one audit subjected to an internal quality control review performed by AFAA personnel, and the internal quality control review report.
3. In performing our review, we gave consideration to the February 2002 policy statement on quality control and external reviews issued by the PCIE. That statement indicates that AFAA's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that the objectives of quality control will be met. It also recognizes that the nature, extent, and formality of AFAA's system of quality control depends on various factors such as the size of AFAA, the location of its offices, the nature of the work, and its organizational structure.
4. In our opinion, the system of quality control for the audit function of AFAA in effect for audit reports issued during the 6-month period ended 31 March 2002 has been designed in accordance with the quality standards established by the PCIE and was being complied with for the period then ended to provide AFAA with reasonable assurance of material compliance with professional auditing standards in the conduct of its audits. Therefore, as noted, we are issuing an unqualified opinion on your system of audit quality control.
5. We have identified other matters that came to our attention that will be presented in a separate Letter of Comments to be issued on or about 9 August. These other matters do not affect our overall opinion.
6. If you have any questions, please contact Mr. Frank Nutter at 202-433-4844.

Subj: **PEER REVIEW OF THE AIR FORCE AUDIT ACEKCY (N2002-0064)**

7. We express our thanks to you and your staff for your cooperation and professionalism during this review.

A handwritten signature in black ink that reads "William E. Bragg". The signature is written in a cursive, slightly slanted style.

WILLIAM E. BRAGG
Assistant Auditor General
Strategic Sourcing and Resources Management

Copy to:
DoDIG (AIG/AFTS)

Peer Review Scope and Methodology

Scope and Methodology

We conducted our review during the period of 15 April to 15 July **2002** and performed the review in accordance with the President's Council on Integrity and Efficiency's Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of the Inspector General, dated February **2002**. We tested compliance with the Air Force Audit Agency's system of quality control to the extent we considered appropriate. These tests included a review of 8 of 367 audit reports issued **from** 1 October **2001** to 31 March **2002**. We also reviewed one audit subjected to an internal quality control review and the internal quality review report on this audit.

In analyzing the Air Force Audit Agency's quality control system, we evaluated your:

Internal audit policies and procedures

Internal quality control review process, including a reexamination of one audit included in your internal quality control process

- One financial statement opinion audit

We excluded from our review audit work on special access programs as stipulated in the Memorandum of Understanding dated 18 March **2002**.

Office of Inspector General Offices Reviewed

We visited Air Force Audit Agency offices at March Air Reserve Base, CA; Edwards Air Force Base (AFB), CA; Langley AFB, VA; Tinker AFB, OK; Wright-Patterson **AFB**, OH; Randolph AFB, TX; **Hanscom** AFB, MA; **Andrews** AFB, MD; and Air Force Audit Agency Headquarters, Arlington, VA.

Audit Reports Reviewed

The table on the following page lists the audit reports we reviewed.

Audit Reports Reviewed

Report Number	Report Date	Report Title
F-2002-0002-605800	11/7/02	Air National Guard Command Posts
99052002	9/8/00	Facility Design
F-2002-0004-OD0000	12/12/01	Contract Cost Performance Following O f f i of Management and Budget Circular A-76 Review, Air Force Flight Test Center, Edwards AFB CA
F-2002-0043-EL0000	2/19/02	Air Force Responsibilities for Aviation Fuel Purchases, 1st Fighter Wing, Langley AFB VA
F-2002-0006-DT0000	1/28/02	Material Management Transition-Recoverable Item Requirements Oklahoma City Air Logistics Center, Tinker AFB OK
F-2002-0005-C06800	2/8/02	Opinion on Fiscal Year 2001 Air Force Working Capital Fund Financial Statements
F-2002-0002-WR0000	10/11/01	Enlisted Club Operations , 12th Flying Training Wing, Randolph AFB TX
F-2002-0002-DH0000	12/17/01	Visibility and Control Over In-Transit Inventories, 143rd Airlift Wing, Rhode Island Air National Guard, North Kingston , RI
F-2002-0021-EA0000	1/28/02	Security Controls Over Systems in Air Force Medical Treatment Facilities, 89th Airlift Wing, Andrews AFB MD
F-2001-A12300-0566	1/14/02	Quality Assurance Review, Financial and Support Audits Directorate, Engineering and Environment Division (AFAA/FSE)